

Message Text

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ORIGIN XMB-07

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

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DRAFTED BY: XMB: TPDOUGHTY

APPROVED BY: EB/ OCA/ REP: RCJORGENSEN

XMB: CEHOUSTON

XMB: DBOSTWICK

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FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA

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E. O. 11652: NA

TAGS: ETRD, CO

SUBJ: EXIMBANK PRELIMINARY COMMITMENT TO ACERIAS PAZ DEL RIO

1. AS EMBASSY IS AWARE, EXIMBANK ON DECEMBER 12, 1972, RE-
ISSUED ITS PRELIMINARY COMMITMENT LETTER NO. 1738 TO ACERIAS
PAZ DEL RIO S. A. TO ASSIST IN FINANCING UP TO DOLS 25 MILLION
OF U. S. GOODS AND SERVICES FOR A PROJECT FOR THE INSTALLATION
OF A COLD MILL FOR ROLLED STEEL PRODUCTS. THE PC EXPIRED ON
APRIL 30, 1973, WITHOUT A REQUEST FROM PAZ DEL RIO FOR
ITS EXTENSION.

2. EXIMBANK CONTINUES TO RECEIVE INQUIRIES ABOUT FINANCING
FROM PROSPECTIVE U. S. SUPPLIERS OF ONE OR MORE ELEMENTS FOR
THE PROJECT. REPORTS REACHING EXIM FROM SUPPLIERS ARE TO
THE EFFECT THAT REPUBLIC STEEL IS WORKING WITH PAZ DEL RIO
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IN AN ENGINEERING CONSULTANT CAPACITY, INCLUDING THE EVALUATION OF SUPPLIER BIDS. EXIM'S INTEREST IN SUPPORTING U. S. SUPPLIERS OF THE COLD MILL PROJECT GOES BACK MORE THAN TWO YEARS, WHEN INDIVIDUAL PC'S WERE MADE BY THE BANK TO TWO OR THREE SUPPLIERS. SUBSEQUENTLY, IN AN EFFORT TO MAXIMIZE U. S. SALES AND TO PROVIDE PAZ DEL RIO WITH AS ATTRACTIVE A FINANCING PROPOSAL AS POSSIBLE FOR PURCHASES FOR THE PROJECT, EXIM ISSUED A PC DIRECTLY TO THE COLOMBIAN COMPANY.

3. AMONG THE TERMS AND CONDITIONS OF THE PC WERE THE REQUIREMENT OF THE GUARANTEE OF THE REPUBLIC OF COLOMBIA. THIS APPARENTLY CAUSED SOME UNEASINESS FOR PAZ DEL RIO, WHICH WROTE EXIM ON DECEMBER 26, 1972, ASKING WHETHER THERE WAS ANY POSSIBILITY THAT THE BANK WOULD WAIVE THE GUARANTEE REQUIREMENT. IN A TELEXED REPLY MADE ON JANUARY 9, 1973, EXIM TOLD PAZ DEL RIO THAT THE BANK WOULD BE GLAD TO REVIEW THE REQUIREMENT AND REQUESTED CERTAIN SPECIFIC FINANCIAL INFORMATION FROM PAZ DEL RIO AS A BASIS FOR RECONSIDERATION. MOREOVER, EXIM SAID THAT IT WOULD BE GLAD TO CONSIDER ANY SPECIFIC PROPOSAL PAZ DEL RIO MIGHT WISH TO MAKE IN DETAIL BY WHICH THE BANK'S FINANCING COULD BE ADEQUATELY SECURED WITHOUT THE GUARANTEE OF THE REPUBLIC OF COLOMBIA. IN RESPONSE, PAZ DEL RIO MERELY SENT TO EXIM WITHOUT TRANSMITTAL COVER COPIES OF PUBLISHED RECENT ANNUAL REPORTS. FOR THE MOST PART THE REPORTS SUBMITTED WERE ALREADY AVAILABLE TO EXIM AND SCARCELY CONSTITUTED THE INFORMATION THE BANK HOPED TO RECEIVE AS A BASIS FOR RECONSIDERATION OF THE GUARANTEE REQUIREMENT. NO ALTERNATIVE PROPOSAL WAS MADE AS INVITED BY EXIM.

4. IN VIEW OF THE CONTINUED INTEREST ON THE PART OF U. S. SUPPLIERS EXIMBANK WOULD BE GLAD TO CONSIDER A REQUEST FROM OR ON BEHALF OF PAZ DEL RIO FOR AN APPROPRIATE EXTENSION OF THE EXPIRY DATE OF THE PC. SUCH A REQUEST SHOULD INCLUDE, AS A MINIMUM, A REPORT ON THE CURRENT STATUS OF THE PROJECT AND AN ESTIMATE AS TO THE TIME WHEN THE EVALUATION OF THE BIDS WILL BE COMPLETED AND CONTRACTS AWARDED. IT SHOULD ALSO DEAL WITH THE AMOUNT OF THE U. S. FINANCING INVOLVED AND CLEARLY INDICATE WHETHER THE DOLS 25 MILLION ESTIMATED AMOUNT SHOULD BE INCREASED OR DECREASED.

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5. EXIMBANK WOULD APPRECIATE THE EMBASSY RAISING THE EXTENSION MATTER WITH PAZ DEL RIO. THE QUESTION OF THE GUARANTEE WILL IN ALL LIKELIHOOD ALSO ARISE. EXIM REMAINS PREPARED TO RECONSIDER THE MATTER AND SUGGESTS THAT THE EMBASSY POINT OUT TO PAZ DEL RIO THAT THE COPIES OF THE ANNUAL REPORTS WERE NOT SUFFICIENTLY RESPONSIVE TO THE DETAILS SET FORTH IN EXIM'S TELEX OF LAST JANUARY. AS FOR AN ALTERNATIVE PROPOSAL,

A RECENT TELEX FROM ECGD IN LONDON, SENT TO EXIM, HERMES IN GERMANY, AND MITI IN JAPAN, SUGGESTS A POSSIBILITY. ECGD ASKED EXIM WHETHER IT WOULD CONSIDER AN OFFER OF THE GUARANTEE OF INSTITUTO DE FOMENTO INDUSTRIAL (IFI) ISSUED WITH THE APPROVAL OF THE MINISTRY OF FINANCE AND BANCO DE LA REPUBLICA. AS THE BANK REPLIED TO ECGD, WHILE NO SUCH PROPOSAL HAD NOT BEEN MADE TO IT BY PAZ DEL RIO IT WOULD RECEIVE SERIOUS CONSIDERATION IF MADE. THIS POSSIBILITY MAY ALSO BE BROACHED TO PAZ DEL RIO BY THE EMBASSY BUT WITHOUT IDENTITY OF ECGD AS THE SOURCE. RUSH

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